

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 IO-13 ISO-00 SP-02 ICA-11 AID-05
EB-08 NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01
CIAE-00 COME-00 FRB-03 INR-10 NSAE-00 XMB-02
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R 270910Z JUL 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 9934
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY ROME

C O N F I D E N T I A L SECTION 01 OF 03 TOKYO 13587

USEEC

USMTN

USOECD

E.O. 11652: GDS
TAGS: ETRD, EGEN, JA, US
SUBJECT: FOREIGN MINISTER'S IMPRESSIONS OF BONN SUMMIT

1. SUMMARY: FOREIGN MINISTER SONODA GAVE US DETAILED
RUN-DOWN ON HIS IMPRESSIONS OF BONN SUMMIT, NOTING
JAPAN'S RELIEF AT AMICABLE OUTCOME AND STRESSING JAPAN'S
UNDERSTANDING OF IMPORTANCE OF ITS FULFILLING UNDERTAKINGS
IT MADE. HE GAVE WELL-BALANCED PRESENTATION OF ATMOSPHERE
OF MUTUAL RECOGNITION OF PROBLEMS, DEPICTING SUCCESS OF
MTN AS CRITICAL FOR U.S.-JAPAN RELATIONS AND HEALTH OF
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WORLD ECONOMY. HE DID NOT UNDERESTIMATE THE DIFFICULTIES
FOR ALL COUNTRIES OF OVERCOMING DOMESTIC OBJECTIONS TO
FREER TRADE BUT STRESSED NEED FOR JAPAN TO ENVISION
"SHEDDING BLOOD" AS ITS INDUSTRY WAS RESTRUCTURED TO
REFLECT A NEW INTERNATIONAL DIVISION OF LABOR. HE DIS-
CUSSED PROBLEMS OF JAPAN REDUCING ITS SURPLUSES - WHICH
PRIME MINISTER RECOGNIZES IT MUST - WHEN INTERNATIONAL

CURRENCY SCENE WAS UNSTABLE. END SUMMARY.

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2. AMBASSADOR CALLED ON FOREIGN MINISTER SONODA ON JULY 27 TO OBTAIN HIS REACTION AND INTERPRETATION ON BONN SUMMIT. AMBASSADOR SAID HE WAS PLEASED WITH THE HARMONIOUS OUTCOME, THE ABSENCE OF RANCOR, AND THE GENERAL OPTIMISM FOR FUTURE. HE EXPRESSED THE HOPE THAT THE SPIRIT DEVELOPED AT BONN WOULD ENSURE AND ASSURE SUCCESSFUL OUTCOME OF TOKYO ROUND OF MTNS.

3. FOREIGN MINISTER SONODA OBSERVED THAT PRIOR TO THE SUMMIT HE HAD BEEN CONCERNED THAT, IN THE LIGHT OF ECONOMIC DIFFICULTIES BETWEEN U.S.-JAPAN AND OTHER PARTICIPANTS, THERE MIGHT BE SEVERE DIFFICULTIES FOR JAPAN BECAUSE OF ITS LARGE CURRENT ACCOUNT SURPLUS. HE SAID THAT ONCE THE MEETING WAS STARTED, HOWEVER, THE GOOD FEELING EXPRESSED BY ALL SEVEN HEADS OF STATE, RECOGNIZING A SORT OF FAMILY FEELING OF THE FREE WORLD, LED TO AN ATMOSPHERE IN WHICH CRITICISM WAS REDUCED. THE PARTICIPANTS UNDERSTOOD THAT THEY HAD TO SOLVE THEIR DIFFICULTIES IN A HARMONIOUS ATMOSPHERE. AS A RESULT ALL PARTIES WENT HOME SATISFIED THAT THE SUMMIT WAS A SUCCESS. HE WOULD CREDIT THREE PRINCIPLES FOR THIS SUCCESS: 1) THEY JOINTLY RECOGNIZED THAT THE WORLD WAS ON THE EDGE OF AN ECONOMIC CRISIS AND THAT IT COULD NOT BE SOLVED BY ATTACKING EACH

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OTHER; 2) PRESIDENT CARTER, AS THE PRINCIPAL LEADER OF THE FREE WORLD, MADE IMPORTANT REMARKS RECOGNIZING WHAT HE NEEDED TO DO TO MANAGE THE U.S. ECONOMY, ESPECIALLY ON ENERGY AND INFLATION POLICY AND NOTING THE IMPORTANCE OF STABILITY IN THE WORLD MONETARY SCENE. IN ADDITION THE FRG HAD ARRANGED EFFECTIVE PREPARATORY MEETINGS, AND CHANCELLOR SCHMIDT HAD BEEN AN EFFECTIVE CHAIRMAN; 3) WITHOUT BEING PROMPTED BY CRITICISM FROM OTHERS, PRIME MINISTER FUKUDA HAD EXPLAINED HOW HE PLANNED TO MANAGE THE JAPANESE ECONOMY. HE HAD OUTLINED PLANS TO EXPAND DOMESTIC DEMAND, REDUCE CURRENT ACCOUNT SURPLUS THROUGH EMERGENCY MEASURES, AND THE CONTROL OF INFLATION. HE PLEDGE TO DO HIS UTMOST TO MEET HIS GOALS. THE FINAL COMMUNIQUE HAD CONTAINED SPECIFIC MENTION OF WHAT EACH COUNTRY PLANNED TO ACCOMPLISH; THESE WOULD CONSTITUTE THE FIRST STEPS TO A BETTER WORLD.

4. SONODA SAID THERE HAD ALSO BEEN USEFUL DISCUSSIONS ON NORTH-SOUTH PROBLEMS COVERING ASEAN, COMMON FUND, THE ROLE OF LDCS IN MTN AND THE NEED TO INCREASE ODA.

5. HE ALSO COMMENTED FAVORABLY ON ANTI-HIGHJACKING STATEMENT AND PROVISION FOR REVIEW OF SUMMIT GOALS BY CABINET LEVEL OFFICIALS.

6. HE CONCLUDED THAT THE MEETING WAS A SUCCESS IN THAT THE PARTICIPANTS HAD AGREED ON PERFORMANCE TARGETS, RECOGNIZING THAT ALL COUNTRIES FACE DIFFICULTIES IN REACHING THEM. REGARDING JAPAN'S CURRENT ACCOUNT SURPLUS HE SAID JAPAN MUST DO ITS UTMOST.

7. TURNING TO THE MTNS HE SAID IT IS OF UTMOST IMPORTANCE

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R 270910Z JUL 78
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THAT THE TOKYO ROUND BE CONCLUDED SUCCESSFULLY. IT APPEAR-
ED TO SONODA THAT JAPAN AND U.S. WERE IN AGREEMENT ON
TREATMENT OF INDUSTRIAL PRODUCTS, BUT THAT BOTH COUNTRIES
FACE DOMESTIC AND POLITICAL DIFFICULTIES REGARDING
AGRICULTURE. MINISTER OF AGRICULTURE NAKAGAWA WILL BE
GOING TO U.S. IN SEPTEMBER AND SONODA HOPES FOR PROGRESS
AT THAT TIME.

8. SONODA WENT ON TO SAY THAT IT IS STILL UNCLEAR WHETHER
THE U.S. AND JAPAN CAN REMAIN IN HARMONY REGARDING TRADE
BECAUSE, AS THE PRIME MINISTER SAYS, CRITICAL PROBLEM IS
TO IMPROVE THE TRADE BALANCE AND THAT CANNOT BE DONE

WITHOUT A STABLE INTERNATIONAL CURRENCY SITUATION. THE STABILITY OF THE DOLLAR AS THE KEY CURRENCY IS A BASIC ELEMENT, BUT PRESIDENT CARTER, WHILE RECOGNIZING THE IMPORTANCE OF STABILITY, NOTES THE IMPORTANCE OF JAPAN REDUCING ITS SURPLUS AND CONTROLLING INFLATION. THEREFORE, CONFIDENTIAL

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WHILE SONODA CAME HOME PLEASED THAT THE SUMMIT WAS A SUCCESS, IT SEEMED IRONIC THAT THE YEN HAS RISEN AGAIN SO SOON AFTER THE SUMMIT. IT APPEARS TO BE "CHICKEN AND EGG" ARGUMENT AS TO WHICH COMES FIRST - CURRENCY STABILITY OR FUNDAMENTAL TRADE FORCES. HE CONCLUDED HOWEVER THAT HIS COUNTRY MUST DO ITS BEST TO HELP THE SITUATION.

9. HE NOTED THAT THE ECONOMIC CABINET HAD DISCUSSED JULY 26 HOW TO REDUCE THE SURPLUS AND ATTAIN THE GROWTH TARGET. ALTHOUGH IT WAS NOT OFFICIALLY ANNOUNCED TO THE PRESS THEY ALSO DISCUSSED A SUPPLEMENTARY BUDGET, SPECIAL SESSIONS OF THE DIET, AND THE LIBERALIZATION OF EXCHANGE CONTROL.

10. SONODA SAID THAT HE FELT THE SUMMIT HAD BOLSTERED WORLD CONFIDENCE BUT THAT IF JAPAN FAILED TO REACH ITS GOALS THE U.S.-JAPAN RELATIONSHIP WOULD BE THE FIRST TO SUFFER. JAPAN THEREFORE RECOGNIZED THAT IT MUST DO ITS BEST.

11. AS TO OVERALL SUMMIT IMPRESSIONS, SONODA SAID HE FELT ALL THE LEADERS HAD THE SOVIETS VERY MUCH IN MIND, THAT WITHIN EUROPE AN ESPECIALLY CLOSE RAPPORT EXISTED BETWEEN GERMANY AND FRENCH AND THAT THE INDIVIDUAL PRE-OCCUPATIONS OF THE EUROPEAN COUNTRIES CAME THROUGH IN FINAL STATEMENTS. ITALY IS CONCERNED ABOUT INTERNAL PROBLEMS, GERMANY IS INFLUENCED BY THE CONTINUED DIVISION OF GERMANY, FRANCE AND THE U.K. HAVE A STRONG SENSE OF THEIR HISTORIC ROLES.

12. SONODA SAID THAT AS JAPANESE FOREIGN MINISTER HE RECOGNIZED THE KEY ROLE OF THE U.S.-JAPAN RELATIONSHIP CONFIDENTIAL

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BUT ALSO RECOGNIZED THE IMPORTANCE OF THE TRILATERAL RELATIONSHIP. HE EXPRESSED HOPE THAT U.S. WOULD SHOW LEADERSHIP IN HELPING TO STRENGTHEN TRILATERAL TIES. HE SAID THAT HE HAD A GOOD EXCHANGE WITH EUROPEAN FOREIGN

MINISTERS AND EC LEADERS ON STRENGTHENING JAPAN-EUROPE TIES. HE HAD CONCLUDED THAT JAPAN NEEDED TO INVEST MORE ABROAD, AND THAT WHILE JAPAN'S NORTH-SOUTH FOCUS WOULD BE DIRECTED TOWARD ASIA, JAPAN NEEDED ALSO, IN CLOSER COOPERATION WITH U.S., TO TRY TO HELP SOLVE AFRICAN PROBLEMS. WITH ITS LARGE DOLLAR EARNINGS JAPAN SHOULD INCREASE FOREIGN ASSISTANCE, NOT JUST TO REDUCE ITS SURPLUS, BUT TO MAKE GENUINE CONTRIBUTION TO DEVELOPMENT.

13. IN CONCLUDING HE SAID HE FELT THE MOST IMPORTANT CURRENT ISSUE WAS TO ASSURE A SUCCESSFUL MTN OUTCOME. HE SAID JAPAN FACES SEVERE DOMESTIC DIFFICULTIES AND THAT MANY WITHIN JAPAN HOPED THE MTN WOULD SHIELD JAPANESE INDUSTRY FROM PROTECTIONISM BUT THAT HE FELT THE MTNS MUST FOSTER FREE TRADE AND CONTRIBUTE TO THE BETTER INTERNATIONAL DIVISION OF LABOR. THE JAPANESE ECONOMY WOULD HAVE TO "SHED BLOOD," TO ADJUST ITS DOMESTIC STRUCTURE IN LINE WITH INTERNATIONAL COMPETITION. ALTHOUGH THE PROBLEMS ARE DIFFICULT THEY MUST BE OVERCOME. AMBASSADOR EXPRESSED GRATITUDE FOR THESE DETAIL EXPLANATIONS, AND NOTED THAT MUTUAL RELATIONS ARE SO IMPORTANT THAT WAYS AND MEANS MUST BE FOUND TO ACCOMMODATE ALL OUTSTANDING DIFFICULTIES. BOTH COUNTRIES NEED TO RECOGNIZE THAT WE ARE ON A TWO-WAY STREET AND THAT THERE ARE THINGS BOTH HAD TO DO. HE EXPRESSED AGREEMENT THAT, WORKING TOGETHER, SOLUTIONS WOULD BE FOUND TO ELIMINATE THE DIFFICULTIES. THE AMBASSADOR ASKED WHETHER THE NEXT SUMMIT WOULD BE IN JAPAN. SONODA REPLIED THAT PRESIDENT CARTER HAD WANTED TO SAY SO IN THE

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COMMUNIQUE BUT THE EUROPEANS HAD ADVISED AGAINST PUTTING
IT IN WRITING. NEVERTHELESS, IT WAS CLEAR THAT NEXT SUMMIT
WOULD BE HERE.

14. DISCUSSION ON PRC TREATY COVERED IN SEPTTEL.
MANSFIELD

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